

# **GENERAL INFORMATION**

## **MEMBERS OF THE EXECUTIVE COMMITTEE**

Councillor DB Mabuyakhulu - Mayor  
Councillor JCN Khumalo - Deputy Mayor  
Councillor MS Mlangeni  
Councillor MI Dlamini  
Councillor L Monareng

## **GRADING OF LOCAL AUTHORITY**

Grade 4

## **AUDITORS**

Auditor-General

## **BANKERS**

ABSA Bank Limited - Newcastle

## **REGISTERED OFFICE**

Ithala Building  
B9356  
MADADENI  
2951

Private Bag 6615  
NEWCASTLE  
2940

Tel No.(034)314 3759  
Fax No.(034)314 3785

## **COUNCIL MEMBERS OF AMAJUBA DISTRICT MUNICIPALITY**

Cllr. AT Zwane - Speaker  
Cllr. P Croft  
Cllr. TV Buthelezi  
Cllr. LPT Dhlomo  
Cllr. MS Duma  
Cllr. JP Khumalo  
Cllr. HS Madonsela  
Cllr. LV Magasela  
Cllr. NS Matthews  
Cllr. GA Mncube  
Cllr. BJ Mntambo  
Cllr. NJ Ndebele  
Cllr. RB Ndim  
Cllr. EB Ndlovu  
Cllr. TMM Phiri  
Cllr. AN Radebe  
Cllr. WJ Schoeman  
Cllr. MB Shabalala  
Cllr. NP Stannard  
Cllr. TC Thungo

## **MUNICIPAL MANAGER**

B S Duma - MSc Development Admin & Planning(London)

## **CHIEF FINANCIAL OFFICER**

Linda Africa - B.Com (UNISWA) LIMFO

## **APPROVAL OF FINANCIAL STATEMENTS**

The Annual Financial Statements set out on pages 5 to 29 were received by the Municipal Manager on the 22<sup>nd</sup> August 2006 and will be presented to and approved by the Council.

  
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**MUNICIPAL MANAGER**

  
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**CHIEF FINANCIAL OFFICER**

## FOREWORD

It is my pleasure to present the 2005/06 Annual Financial Statements. These statements fairly present the state of affairs of the municipality and its performance as at end June 2006. This is the first set of financial statements for our five-year term of office.

Due to the high staff turn over at management level in the financial services department of the municipality, the current chief financial officer joined the municipality one month into the financial year. He was immediately faced with the challenge of completing the previous year financial statements and putting processes in place to ensure the timeous completion of the June 2006 financial statements. The hard work and dedication of the whole financial services team has ensured that we can submit our financial statements on time to the Auditor-General for auditing.

Service delivery challenges remain in our communities. It is our sincere hope that the initiatives we embark upon as we begin our term of office will ensure sustainable service delivery to our communities. We need to strongly lobby for support for initiatives such as the Mi2 so as to enable us to leverage investment in infrastructure in our district from both the public and private sectors.

**Cllr. DB Mabuyakhulu**  
**Mayor**

# AMAJUBA DISTRICT MUNICIPALITY

30 JUNE 2006

## REPORT OF THE CHIEF FINANCIAL OFFICER

### 1. INTRODUCTION

The annual financial statements presented with this report have been prepared in line with the provisions of the Municipal Finance Management Act using the IMFO guidelines of fund accounting. As a municipality with a municipal entity which provides water and sanitation services on our behalf, the financial statements presented exclude the income, expenditure, assets and liabilities in respect of water and sanitation.

These annual financial statements are therefore unconsolidated. A consolidated set of annual financial statements will be prepared and presented once the information is available from uThukela Water (Pty) Ltd.

### 2. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in Appendices D and E. The applicable statistics are shown in Appendix F. The overall operating results for the year ended 30 June 2006 are as follows:

	Actual 2005	Actual 2006	Variance 2005 - 2006	Budget 2006	Variance Actual/Budget
	R	R	%	R	%
<b>Income</b>					
Opening Surplus/(Deficit)	19,735,583	19,648,017	-0.4%	-	
Operating Income for the year	53,316,860	46,881,781	-12.1%	65,405,356	-28.3%
Sundry Transfers	-	-			
<b>Sub-total</b>	<b>73,052,443</b>	<b>66,529,798</b>	<b>-8.9%</b>	<b>65,405,356</b>	<b>1.7%</b>
<b>Expenditure</b>					
Operating Expenditure for the year	50,693,603	50,197,523	-1.0%	65,252,140	-23.1%
Sundry Transfers	2,710,822	2,950,227	8.8%		
Closing Surplus/(Deficit)	19,648,017	13,382,049	-31.9%	153,216	8634.1%
<b>Sub-total</b>	<b>73,052,443</b>	<b>66,529,798</b>	<b>-8.9%</b>	<b>65,405,356</b>	<b>1.7%</b>

## AMAJUBA DISTRICT MUNICIPALITY

30 JUNE 2006

### 2.1 Resource Support Services

	Actual 2005	Actual 2006	Variance 2005 - 2006	Budget 2006	Variance Actual/Budget
	R	R	%	R	%
Income	53,316,860	46,881,781	-12.1%	65,405,356	-28.3%
Expenditure	50,693,603	50,197,523	-1.0%	65,252,140	-23.1%
<b>Surplus / (Deficit)</b>	<b>2,623,256</b>	<b>-3,315,742</b>	<b>-226.4%</b>	<b>153,216</b>	<b>-2264.1%</b>
Surplus as %age of total income	4.9%	-7.1%	1875.8%	0.2%	7994.4%

### 2.2 Resource Support Services: Income by Category

	Actual 2005	Actual 2006	Variance 2005 - 2006	Budget 2006	Variance Actual/Budget
	R	R	%	R	%
RSC Levy Income	24,216,939	24,472,542	1.1%	24,968,978	-2.0%
Grants & Subsidies	24,528,360	19,674,785	-19.8%	40,120,378	-51.0%
Other Income	4,571,560	2,734,454	-40.2%	316,000	765.3%
<b>Total Income</b>	<b>53,316,859</b>	<b>46,881,781</b>	<b>-12.1%</b>	<b>65,405,356</b>	<b>-28.3%</b>

### 2.3 Resource Support Services: Expenditure by Category

	Actual 2005	Actual 2006	Variance 2005 - 2006	Budget 2006	Variance Actual/Budget
	R	R	%	R	%
Salaries, wages and allowances	13,767,847	13,729,955	-0.3%	16,234,539	-15.4%
General expenses	12,539,943	15,039,918	19.9%	18,350,300	-18.0%
Repairs and maintenance	547,204	401,824	-26.6%	584,630	-31.3%
Capital charges	452,805	426,370	-5.8%	494,521	-13.8%
Contributions to fixed assets	3,654,799	9,825,703	168.8%	915,740	973.0%
Contributions	1,805,943	1,491,951	-17.4%	1,538,132	-3.0%
Capital Projects	17,925,062	9,282,002	-48.2%	27,134,278	-65.8%
<b>Total Expenditure</b>	<b>50,693,603</b>	<b>50,197,523</b>	<b>-1.0%</b>	<b>65,252,140</b>	<b>-23.1%</b>

# **AMAJUBA DISTRICT MUNICIPALITY**

**30 JUNE 2006**

## **3. CAPITAL EXPENDITURE AND FINANCING**

The expenditure on fixed assets incurred during the year amounted to R10 062 951 (2005: R3 897 925), 158% more than the previous year due to an increase in infrastructure projects as well as the additions to the office building.

The expenditure consists of the following:

	<b>Actual 2006</b>	<b>Budget 2006</b>	<b>Actual 2005</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Furniture & Equipment	236,402	384,340	703,599
Vehicles	678,941	765,000	-
Infrastructure Projects	1,994,533	1,200,000	-
Water Projects	-	-	-
Land & Buildings	7,153,076	8,000,000	3,194,326
	<b>10,062,951</b>	<b>10,359,340</b>	<b>3,897,925</b>

A complete analysis of capital expenditure is included in Appendix C.

Resources used to finance the fixed assets were as follows:

	<b>Actual 2006</b>	<b>Budget 2006</b>	<b>Actual 2005</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Revenue Contributions	915,342	419,340	3,654,799
Grants & Subsidies	1,994,533	1,200,000	243,126
Consolidated Capital Development Fund	-	-	-
Reserves	7,153,076	8,000,000	-
Finance Leases	-	740,000	-
	<b>10,062,951</b>	<b>10,359,340</b>	<b>3,897,925</b>

More details regarding external loans, internal advances and other sources of financing used to finance fixed assets are shown in Appendices B and C respectively.

# AMAJUBA DISTRICT MUNICIPALITY

30 JUNE 2006

## 4. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding as at 30 June 2006 amount to R98 918 (R300 515 in 2005) as set out in note 3 and Appendix B.

Investments and cash as at 30 June 2006 amount to R55 003 902 (R57 103 658 in 2005)

## 5. FUNDS, RESERVES AND PROVISIONS

The movement regarding statutory funds, reserves and provisions is set out in Appendix A.

A contribution of 3% of total income was made to the capital development fund and 50% of the interest earned by the capital development fund was transferred back to the operational services in terms of the Local Authorities Ordinance of 1974, Act No. 25 of 1974.

An amount of R12 832 956 was contributed to funds and reserves during the year under review. The provision for leave payments was decreased to R343 908 (R378 347 in 2005).

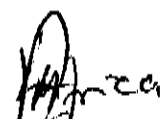
## 6. REVIEW OF POST BALANCE SHEET EVENTS

The financial statements as presented here do not include the water and sanitation service. The assets and liabilities in respect of water and sanitation services from the Utrecht and Dannhauser Local municipalities have been determined. These figures will be forwarded to uThukela Water for inclusion in their financial statements.

The income, expenditure, assets and liabilities in respect of our portion of uThukela Water will then be consolidated into our books once the transfer process as detailed above has been finalised.

## 7. APPRECIATION

I would like to thank the Mayor, the Deputy Mayor, the Speaker, Members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support they have given me and my staff during the year.



LINDA AFRICA B.COM LIMFO  
CHIEF FINANCIAL OFFICER  
AMAJUBA DISTRICT MUNICIPALITY

# ACCOUNTING POLICIES

## 1. BASIS OF PRESENTATION

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2<sup>nd</sup> Edition, as amended).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for Capital expenditure as more fully detailed in note 4. The accounting policies are consistent with those applied in the previous year, except otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis:
  - Income is accrued when collected and measurable
  - Levy income is accrued when received.
  - Expenditure is accrued in the year it is incurred.

## 2. CONSOLIDATION

The balance sheet includes the Resource Services, Regional Water Services and the different funds, provisions and reserves.

All inter-departmental charges are set off against each other.

## 3. FIXED ASSETS

### 3.1 Fixed assets are stated:

- at historical cost, or
- at valuation, (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use.

### 3.2 Depreciation

The balance shown against the heading "loans redeemed and other receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of the "provision" assets are written down over their estimated useful life. Apart from advances from the various Council Funds assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and it is therefore unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "loans redeemed and other capital receipts" account.

### 3.3 Sale of fixed property

All net proceeds from the sale of fixed property are credited to the Land Trust Fund. Net proceeds from the sale of all other assets are credited to the Capital Development Fund.

### 3.4 Financing

Fixed assets are financed from different sources including external loans, operating income, endowments and internal advances.



These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest is charged to the services concerned at the ruling interest rate applicable at the time the advance is made.

### **3.5 Inventory**

Inventory (stores and materials) is valued at the lower of cost, determined on the weighted average basis and net realisable value.

## **4. FUNDS AND RESERVES**

### **4.1 Consolidated Capital Development Fund**

Legislation requires a contribution of at least 3% of the annual revenue accruing to the borough fund and to the relevant trading funds, provided that when a capital development fund which is sufficient for the council's immediate or foreseeable needs, the council may suspend or reduce contributions into such a fund.

### **4.2 Loans Redemption Fund**

A loan from INCA was raised and portion of the loan was invested to ensure that sufficient capital is available, in the investment on maturity of the loan.

A Loan Redemption Fund has been established where the interest accruing to the investment is brought to account on an annual basis.

### **4.3 Disaster Management Reserve Fund**

This fund is established from contributions from the council and the purpose is to render emergency assistance to vulnerable residents during and within the recovery period after disasters.

### **4.4 Other Reserves**

All other reserves are established from grants received and are utilized to assist local municipalities with operating and capital expenditure. The district municipality also utilize a portion of the reserve for own operating and capital expenditure.

## **5. SURPLUSSED AND DEFICITS**

Any surpluses or deficits arising from the operation of each service are retained in that service for its own use.

## **6. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

The cost of internal support services is transferred to the various services.

## **7. LEASED ASSETS**

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

- Lease finance charges are allocated to the accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.
- All other leases are treated as operating leases and the relevant rentals are charged to

the operating account in a systematic manner relating to the period of use of the assets concerned.

**8. INVESTMENTS**

Investments are shown at a lower cost or market value if a permanent decline in the value occurred and are invested in accordance with Section 125 of the Local Authorities Ordinance 1974 (no. 25 of 1974) and in terms of the KwaZulu Natal Joint Services Act (No. 84 of 1990).

**9. INCOME RECOGNITION**

**9.1 Water Billing**

Meters are read and billed monthly and income from water sales is recognised simultaneously with the raising of the levies.

**9.2 District Municipality Levy Assessments**

Levies are raised simultaneously with the receipt of payment by the levy payer.

**10. PROVISIONS**

Provisions are established where considered necessary.

**11. RETIREMENT BENEFITS**

The Council and its employees contribute to the Natal Joint Municipal Pension Funds, which provide retirement benefits to such employees.

The retirement benefit plans are subject to the Pension Funds Act, 1956, with pensions being calculated on the final annual pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Unfavourable experience adjustments and the cost of securing increased benefits are charged to operating income by way of increased contributions usually within five to seven years or such other period recommended by the actuary. Favourable experience adjustments are retained in the retirement plan. Full actuarial valuations are performed every three years.

## AMAJUBA DISTRICT MUNICIPALITY

## BALANCE SHEET AT 30 JUNE 2006

	<u>Note</u>	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		25,286,789	19,857,038
Accumulated funds	1	11,215,311	8,896,467
Reserves	2	14,071,478	10,960,571
ACCUMULATED SURPLUS	16	13,382,049	19,648,017
		38,668,838	39,505,056
LONG TERM LIABILITIES	3	98,916	107,797
		38,767,754	39,612,853
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	4	1,170,384	1,391,110
INVESTMENTS	5	6,212,511	6,254,665
LONG TERM DEBTORS	6	27,693	102,553
		7,410,588	7,748,329
NET CURRENT ASSETS		31,355,055	31,864,524
CURRENT ASSETS		52,499,959	52,705,502
Debtors	8	3,672,568	1,856,509
Long term Debtors - Short term Portion	6	36,000	
Investments	5	32,773,418	34,257,197
Cash	21	16,017,974	16,591,796
CURRENT LIABILITIES		21,144,904	20,840,978
Provisions	9	343,908	378,347
Creditors	10	20,800,996	20,269,914
Loans - short term portion	3	0	192,717
		38,765,643	39,612,853

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

<u>Actual Income</u>	<u>2005 Actual Expenditure</u>	<u>Surplus/ (Deficit)</u>		<u>Actual Income</u>	<u>2006 Actual Expenditure</u>	<u>Surplus/ (Deficit)</u>	<u>2006 Budget Surplus/ (Deficit)</u>
R	R	R		R	R	R	R
53,316,860	50,693,603	2,623,256	RESOURCE SUPPORT SERVICES	46,881,781	50,197,523	(3,315,742)	153,216
<u>53,316,860</u>	<u>50,693,603</u>	<u>2,623,256</u>	TOTAL	<u>46,881,781</u>	<u>50,197,523</u>	<u>(3,315,742)</u>	<u>153,216</u>
	(2,710,822)		Appropriations, for the year (refer to note 16)			(2,950,227)	
	<u>(87,566)</u>		Net surplus/(deficit) for the year			<u>(6,265,969)</u>	
	19,735,583		Accumulated surplus beginning of the year			19,648,017	
	<u>19,648,017</u>		ACCUMULATED SURPLUS / (DEFICIT) END OF THE YEAR			<u>13,382,049</u>	

## AMAJUBA DISTRICT MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES:</b>		11,748,636	192,361
Cash generated by operations	17	(2,648,080)	(16,013,853)
Investment income	15	2,746,273	3,202,720
(Increase) / Decrease in working capital	18	(1,402,833)	831,630
		(1,304,640)	(11,979,503)
LESS : External interest paid		22,271	51,324
<b>Cash available from operations</b>		<u>(1,282,370)</u>	<u>(11,928,178)</u>
Cash contributions from the public and State		12,941,097	12,120,539
Proceeds from the disposal of fixed assets		89,908	0
<b>CASH UTILISED IN INVESTING ACTIVITIES:</b>		(10,062,951)	(3,897,926)
Investment in fixed assets	4	(10,062,951)	(3,897,926)
<b>NET CASH FLOW</b>		<u>1,685,684</u>	<u>(3,705,565)</u>
<b>CASH EFFECTS OF FINANCING ACTIVITIES:</b>			
Increase / (Decrease) in long-term loans	19	(201,599)	(249,021)
Investment written-off	5 / 16	(2,057,908)	0
(Increase) / decrease in cash investments	20	0	1,253,487
(Increase) / Decrease in cash on hand and at bank	21	573,822	2,701,098
<b>NET CASH GENERATED</b>		<u>(1,685,685)</u>	<u>3,705,565</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
1. ACCUMULATED FUNDS		
Consolidated Capital Development Fund	11,215,311	8,896,467
(Refer to appendix A for more detail)	<u>11,215,311</u>	<u>8,896,467</u>
2. RESERVES		
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	1,629,828	1,335,685
DWAF EMERGENCY INTERVENTION	12,295	10,455
WSDP GRANT PROJECT	367,016	258,374
PLANNING SUPPORT GRANT	173,579	147,591
IDP REVIEW GRANT	96,290	39,428
DWAF REFURBISHMENT GRANT	877,966	746,520
MIP IMPLEMENTATION PLAN	0	220,000
PMIS CENTRE GRANT	0	281,538
RURAL SERVICE CENTRE GRANT	525,869	450,000
GIS SUPPORT GRANT	27,350	95,577
MUNICIPAL FINANCE MANAGEMENT GRANT	818,945	250,000
DISASTER MANG-CIVIL PROTECTION	18,641	16,471
DISASTER MANG-VEHICLE	18,936	24,467
ISWIP PROGRAM	0	122,245
DEPT OF SPORTS & RECREATION	1,076,528	1,267,625
DISASTER RELIEF GRANT	5,918,759	2,449,426
IMPLEMENT OF SERVICE DELIVERY MECHANISMS	570,229	280,000
FACILITATION OF BACKLOG STUDY	6,703	140,433
DEPARTMENT OF HEALTH GRANT	0	78,505
DIMS-DISTRICT INFORM MANAGEMENT SYSTEM	35,812	350,000
MUNICIPAL MONITORING SYSTEM	70,985	70,985
DISASTER MANAGEMENT FORUM	42,394	50,000
DISASTER MANAGEMENT PLAN	198,280	290,000
DISASTER MANAGEMENT CENTRE	211,309	293,037
PUBLIC TRANSPORT GRANT	158,483	308,503
PROFESSIONAL ASSISTANCE GRANT	413,058	351,217
LOCAL MUNICIPALITIES - IDP COMPILATION	198,875	188,931
INKULULEKO YOMPAKATHI LD	944	802
AMANTUNGWA LAND REFORM	53,405	116,215
MUNICIPAL ASSISTANCE PROGRAM	229,386	237,921
DISASTER MANAGEMENT FUND	99,329	67,297
REGIONAL ECONOMIC DEVELOPMENT	56,652	0
MANUFACTURING DEVELOPMENT PLAN	17,834	0
CEMETERY PLAN - DBSA GRANT	150,000	0
(Refer to appendix A for more detail)	<u>14,071,478</u>	<u>10,529,450</u>
3. LONG TERM LIABILITIES		
Finance leases	98,916	300,514
Less: Current portion transferred to Current liabilities	<u>98,916</u>	<u>300,514</u>
Finance leases	0	192,717
(Refer to appendix B for more detail on long term liabilities)	<u>0</u>	<u>192,717</u>
	<u>98,916</u>	<u>107,797</u>

The finance leases are secured by assets of Amajuba District Municipality as reflected in note 4.

## AMAJUBA DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
<b>4. FIXED ASSETS</b>		
Fixed assets	15,513,641	109,470,427
Capital outlay during the year	10,062,951	3,897,926
Less : Assets written off, transferred or disposed of during the year	133,332	97,854,712
Total fixed assets	<u>25,443,259</u>	<u>15,513,641</u>
Less : Loans redeemed and other capital receipts	24,272,875	14,122,630
Net fixed assets	<u>1,170,384</u>	<u>1,391,110</u>
Fixed assets totalling R98 918 (2005: R300 515) have been provided as security for finance leases. (Refer note 3)		
(Refer to appendix C and section two of the Treasurer's Report for more detail on fixed assets)		
<b>5. INVESTMENTS</b>		
Unlisted :		
Long term deposits	6,212,511	6,254,665
Call deposits	32,773,418	34,257,197
Total investments	<u>38,985,928</u>	<u>40,511,862</u>
Managements' valuation of unlisted investments.	<u>38,985,928</u>	<u>40,511,862</u>
Average gross rate of return on Investments	10%	8%
Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.		
A financial institution at which Council has invested surplus funds at 30 June 2006 of R2 057 908 (2005 : R2 057 908) was placed under receivership. At present the recoverability of this investment is uncertain.		
This amount has been written-off against unappropriated surpluses during the current financial year.		
<b>6. LONG TERM DEBTORS</b>		
Study Loan	<u>63,693</u>	<u>102,553</u>
	63,693	102,553
LESS: Short-term portion	36,000	
	<u>27,693</u>	<u>102,553</u>
<b>7. INVENTORY</b>		
	<u>                    </u>	<u>                    </u>

## AMAJUBA DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2006 R
<b>8. DEBTORS</b>		
Levy Debtors	36,393	20,570
Suspense & Sundry Debtors	678,277	854,237
Receiver of Revenue - Value added tax	2,983,888	1,007,694
LESS: Provision for doubtful debts	(25,991)	(25,991)
	<u>3,672,568</u>	<u>1,856,509</u>
 RSC Levy Debtor Ageing :		
Current & 30 days	36,393	20,570
	<u>36,393</u>	<u>20,570</u>
 <b>9. PROVISIONS</b>		
Leave pay	343,908	378,347
(Refer to appendix A for more detail)	<u>343,908</u>	<u>378,347</u>
 <b>10. CREDITORS</b>		
Trade Creditors and accruals	2,362,622	3,952,693
Other creditors & deposits	3,987,507	3,545,928
Pension buy-off	0	101,877
Retentions	3,644,910	724,414
uThukela Water - Water & Sanitation Transfer	10,825,958	11,945,002
	<u>20,800,996</u>	<u>20,269,914</u>
 <b>11. CONSUMER DEPOSITS</b>		
 <b>12. LEVY INCOME</b>		
Basic rate		
Regional Establishment Levy (% of turnover excluding VAT)	0.12%	0.12%
Regional Services levy (% of salaries, wages & drawings)	0.30%	0.30%
	<b>R</b>	<b>R</b>
Levy income		
Regional Establishment Levy	17,821,746	17,376,107
Regional Services levy	6,850,743	6,840,364
Interest Received	53	468
	<u>24,472,542</u>	<u>24,216,939</u>



## AMAJUBA DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
<b>13. COUNCILLORS' REMUNERATION</b>		
Mayor's allowance	278,653	229,664
Deputy Mayor's allowance	251,049	174,238
Speaker's allowance	239,144	174,238
Executive committee allowances	734,307	477,130
Members' allowances	704,370	1,093,640
Local Authority attendance fees	253,904	26,697
Medical aid contributions	20,280	2,028
Pension fund contributions	190,826	15,558
	<u>2,672,333</u>	<u>2,193,192</u>

The salaries, allowances and benefits of all political officers are within the upper limits of the framework as envisaged in Sect 219 of the Constitution read with the Remuneration of Public Office Bearers Act, No 20 of 1998.

**14. AUDITORS' REMUNERATION**

Audit fees	<u>699,366</u>	<u>613,379</u>
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**15. FINANCE TRANSACTIONS**

Total external interest earned or paid:

Interest earned	3,720,585	3,202,720
Interest paid	<u>22,271</u>	<u>51,324</u>

Capital charges debited to operating account:

Interest :	External	22,271	51,324
	Internal	127,500	135,000
Redemption :	External	201,599	249,021
	Internal	75,000	17,458
		<u>426,370</u>	<u>462,804</u>

**16. APPROPRIATIONS**Appropriation account

Accumulated surplus / (deficit) at the beginning of the year	19,648,017	19,735,583
Operating surplus / (deficit) for the year	(3,315,742)	2,623,256
Appropriations for the year	(2,950,227)	(2,710,822)
Prior year expenditure	(83,847)	(464,048)
Cancelled cheques written back	62,558	0
Salaries		(103,761)
Provision for Bad Debts		(799,400)
DBSA Loan		194,869
Creditors Adjustments	(333,380)	247,002
Write-off of Debtors/Creditors		122,986
uMzinyathi Income		(223,487)
Audit Provision Correction		(4,220)
DWAF Interest Provision correction		(35,797)
Investment written-off	(2,057,908)	
Adjustment of Investec to book value	(1,016,688)	
Correction of Prior year opening balance - Appropriations	445,402	
Prior year Grant income correction		(347,502)
Credit Card corrections		(11,183)
Cancelled orders	33,517	29,636
Opening Balance Transfer - Water & Sanitation		(1,315,918)
	<u>13,382,049</u>	<u>19,648,017</u>

Accumulated surplus at the end of the year

Operating account

Capital expenditure	7,831,530	3,654,799
Contributions to provisions:	0	50,080
Leave pay	0	50,080
Contribution to Consolidated Capital Development Fund	1,381,043	1,677,956
Disaster Management	110,000	0
	<u>9,322,573</u>	<u>5,382,835</u>

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
<b>17. CASH GENERATED BY OPERATIONS</b>		
Surplus / (deficit) for the year	(3,315,742)	2,623,256
Adjustments in respect of:		
Previous years' operating transactions	(677,075)	(562,234)
Appropriations charged against income:	10,229,141	5,382,835
Consolidated Capital Development Fund	1,381,043	1,677,956
Provisions	0	50,080
Investment Adjustment	1,016,568	
Fixed Assets	7,831,530	3,854,769
Capital charges :		
Interest paid :	426,370	452,804
- to internal fund		
- on external loans	127,500	135,000
Redemption :	22,271	51,324
- of internal advances		
- of external loans	75,000	17,458
	201,599	249,021
Non-operating expenditure :		
Expenditure charged against		
Accumulated funds and reserves	(9,310,775)	(23,910,514)
	<u>(2,648,080)</u>	<u>(16,013,853)</u>
<b>18. (INCREASE) / DECREASE IN WORKING CAPITAL</b>		
Decrease / (Increase) in stock	0	287,452
Increase in debtors	(1,816,058)	13,545,525
Increase in creditors	531,082	(803,471)
Decrease in long-term debtors	74,860	0
Decrease in short-term portion of long-term liabilities	(192,717)	0
	<u>(1,402,833)</u>	<u>13,029,506</u>
<b>19. INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)</b>		
Loans raised	0	0
Loans redeemed	(201,599)	(249,021)
	<u>(201,599)</u>	<u>(249,021)</u>
<b>20. (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS</b>		
Investments made	0	0
Investments realised	0	1,253,487
	<u>0</u>	<u>1,253,487</u>
<b>21. (INCREASE) / DECREASE IN CASH ON HAND AND AT BANK</b>		
Cash balance: beginning of the year	16,591,796	19,292,894
Less: Cash balance end of the year	(16,017,974)	16,591,796
	<u>573,822</u>	<u>2,701,098</u>

## AMAJUBA DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
<b>22. RETIREMENT BENEFITS</b>		
Employees belong to the following funds within the Natal Joint Municipal Pension Fund which provides retirement benefits to such employees.		
(i) Natal Joint Municipal Pension Fund (retirement)		
(ii) Natal Joint Municipal Pension Fund (superannuation).		
(ii) Natal Joint Municipal Pension Fund (provident).		
The retirement plan is subject to the Pension Funds Act, 1956.		
<b>Retirement Fund</b>		
An actuarial valuation of the the Natal Joint Municipal Pension Fund (Retirement) was conducted as at 31 March 2002. The value of the assets taken at full market value was less than the liabilities by R103 431 000 (the fund did not hold an "Investment Reserve"). There was a surplus of R28 714 000 in the Memorandum Account and a shortfall of R133 145 000 in the balance of the Fund which requires additional corrective measures to be taken. The overall position of the fund has improved in that the funding level has increased from 73,2% to a current level of 83,9%.		
Basic contributions for future service exceeded that required by 2,7% of members pensionable emoluments. The surcharges payable should meet the service deficit by eight years provided increases in pensionable emoluments does not exceed inflation.		
<b>Superannuation Fund</b>		
An interim valuation of the the Natal Joint Municipal Pension Fund (Superannuation) was conducted as at 31 March 2002. The value of the assets taken at 95,5% of market value exceeded the value of the liabilities for the service of members to that date and for pensioners by R26 706 000. There was a surplus of R12 836 000 in the Memorandum Account and a surplus of R13 870 000 in the balance of fund. The fund held an Investment Reserve of some R78 400 000 as a cushion against volatility in investment markets.		
The total contribution rate payable exceeded that required for future service by 4,06% of members pensionable emoluments. The fund was in a sound financial condition at 31 March 2002 and the Actuary is satisfied that the asset composition of the fund at that date was appropriate to the nature of its liabilities.		
<b>Provident Fund</b>		
An interim actuarial investigation of the Fund was performed as at 31 March 2002. The Investment Reserve Account stood at R13 150 000 and the Unallocated Reserve Account at R 5 098 000, which covers certain death benefits and expenses.		
The costs of death benefits and expenses exceed the contributions of 3,75% being allocated to the Unallocated Reserve Account and the resultant shortfall will be met out of the assets in the Account. The Actuary estimates that after five years it will be necessary to reduce benefits or increase contributions.		
<b>23. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
Approved and contracted for	1,166,630	9,656,920
Approved but not yet contracted for	21,275,708	18,735,350
	<u>22,442,338</u>	<u>28,391,270</u>
This expenditure will be financed from:		
Internal sources	1,166,630	9,656,920
External sources	21,275,708	18,735,350
	<u>22,442,338</u>	<u>28,391,270</u>
<b>24. CONSOLIDATED CAPITAL DEVELOPMENT FUND</b>		
Outstanding advances to borrowing services:		
Accumulated fund	12,061,389	8,896,467
less: External investments	10,861,389	7,621,467
(Refer to appendices A and B for more detail)	<u>1,200,000</u>	<u>1,275,000</u>

## AMAJUBA DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

2006	2005
R	R

## 25. DISCLOSURES IN RESPECT OF OFFICIALS

The following packages were paid to the under mentioned officials during the year under review in terms of their employment contracts:

	Salary	Allowances	Total Package
Municipal Manager	351,492	303,447	654,939
Director: Corporate Services	357,091	94,849	451,940
Director: Community Services	267,245	184,662	451,907
Director: Engineering Services	242,978	208,929	451,907
Director: Planning & Development	328,319	123,588	451,907
<b>TOTAL</b>	<b>1,547,126</b>	<b>915,474</b>	<b>2,462,600</b>

The position of the Chief Financial Officer has been outsourced on a two-year contract to Mgwazi Consulting at a total cost of R550 000 per annum.

## 26. COMPULSORY DISCLOSURES

Municipal Entities

<u>Name of Entity</u>	<u>Type of Control</u>
uThukela Water (Pty) Ltd.	Shared

Contributions to Organised Local Government

<u>Organisation</u>	<u>Amount Paid</u>
KWANALOGA	137,579

An amount of R NIL was outstanding as at 30 June 2006.

Employee Contributions

The following contributions were made to the respective funds on behalf of employees as part of their service conditions:

Pension Fund Contributions	354,988
Medical Aid Contributions	327,628

Banking Information

The municipality operated only one bank account during the year under review

<u>Bank Name</u>	<u>Account Type</u>	<u>Balance - 01/07/2005</u>	<u>Balance - 30/06/2006</u>
ABSA	Cheque	16,300,658	16,017,974

Contingent Liabilities

There were no known contingent liabilities as at 30 June 2006

Irregular or Fruitless and Wasteful Expenditure and Losses

There were no material irregular or fruitless and wasteful expenditure and material losses reported during the year under review.

## APPENDIX A ACCUMULATED FUNDS, PROVISIONS AND RESERVES

	Balance at 30/06/2005	Contri- butions during the year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 30/06/2006
	R	R	R	R	R	R
<b>ACCUMULATED FUNDS</b>						
Consolidated Capital Development Fund	8,896,466	1,471,859	1,693,972	0	846,986	11,215,311
	8,896,466	1,471,859	1,693,972	0	846,986	11,215,311
<b>PROVISIONS</b>						
Leave pay	378,347	0	0	0	34,439	343,908
	0	0	0	0	0	0
	378,347	0	0	0	34,439	343,908
<b>RESERVES</b>						
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	1,335,685	1,000,000.00	235,185	342,872	1,283,913	1,629,828
DWAF EMERGENCY INTERVENTION	10,465	0	1,540	0	0	12,295
WSDP GRANT PROJECT	258,374	231,000.00	45,494	0	167,852	367,016
PLANNING SUPPORT GRANT	147,591	0	25,988	0	0	173,579
IDP REVIEW GRANT	39,428	100,000.00	6,942	0	50,081	96,290
DWAF REFURBISHMENT GRANT	746,520	0	131,446	0	0	877,966
MIMP IMPLEMENTATION PLAN	220,000	0	38,737	0	258,737	0
PMIS CENTRE GRANT	291,538	0	51,333	0	342,872	0
RURAL SERVICE CENTRE GRANT	450,000	0	79,235	0	3,366	525,869
GIS SUPPORT GRANT	95,577	0	16,829	0	85,056	27,350
MUNICIPAL FINANCE MANAGEMENT GRANT	250,000	750,000.00	44,019	0	225,074	818,945
DISASTER MANG-CIVIL PROTECTION	16,471	0	2,900	0	730	18,641
DISASTER MANG-VEHICLE	24,487	0	4,073	0	9,605	18,938
ISWIP PROGRAM	122,245	0	21,525	0	143,770	0
DEPT OF SPORTS & RECREATION	1,267,825	1,580,000.00	223,236	0	1,994,533	1,076,528
DISASTER RELIEF GRANT	2,449,426	6,012,260.41	0	0	2,544,928	5,918,759
IMPLEMENT OF SERVICE DELIVERY MECHANISMS	280,000	450,000.00	0	0	159,772	570,229
FACILITATION OF BACKLOG STUDY	140,433	0	0	0	133,730	8,703
DEPARTMENT OF HEALTH GRANT	78,605	0	0	0	78,605	0
DIMS-DISTRICT INFORM MANAGEMENT SYSTEM	350,000	420,000.00	0	0	734,188	35,812
MUNICIPAL MONITORING SYSTEM	70,985	0	0	0	0	70,985
DISASTER MANAGEMENT FORUM	50,000	0	0	0	7,606	42,394
DISASTER MANAGEMENT PLAN	290,000	0	0	0	91,720	198,280
DISASTER MANAGEMENT CENTRE	293,037	0	0	0	81,728	211,309
PUBLIC TRANSPORT GRANT	308,503	0	54,120	0	206,140	156,483
PROFESSIONAL ASSISTANCE GRANT	351,217	0	61,841	0	0	413,058
LOCAL MUNICIPALITIES - IDP COMPILATION	168,931	0	29,744	0	0	198,675
INKULULEKO YOMPAKATHI LD	802	0	141	0	0	944
AMANTUNGWA LAND REFORM	116,215	0	20,462	0	83,272	53,405
MUNICIPAL ASSISTANCE PROGRAM	237,921	0	41,893	0	50,428	229,386
DISASTER MANAGEMENT FUND	67,297	110,000.00	11,850	0	89,818	99,329
REGIONAL ECONOMIC DEVELOPMENT	0	187,002.46	0	0	140,351	56,652
MANUFACTURING DEVELOPMENT PLAN	0	115,834.27	0	0	98,000	17,834
LED SUPPORT-DBSA	0	245,000.00	0	0	245,000	0
CEMETERY PLAN - DBSA GRANT	0	150,000.00	0	0	0	150,000
	0					0
	10,529,450	11,361,097	1,148,834	342,872	9,310,775	14,071,478

## AMAJUBA DISTRICT MUNICIPALITY

## APPENDIX B EXTERNAL LOANS AND INTERNAL ADVANCES

	Balance at 30/06/2005	Received During the Year	Redeemed or Written off During the Year	Transferred During the Year	Balance at 30/06/2006
	<u>R</u>	<u>R</u>	<u>R</u>		<u>R</u>
<b>LOCAL REGISTERED STOCK</b>					
	0	0	0		0
<b>ANNUITY LOANS</b>					
	0	0	0	0	0
<b>OTHER LOANS</b>					
Finance leases      Linked to prime      Various	300,515	0	201,599	0	98,916
	300,515	0	201,599	0	98,916
(Refer to notes 3)	300,515	0	201,599	0	98,916

## INTERNAL ADVANCES TO BORROWING SERVICES

Capital Development Fund	1,275,000	0	75,000	0	1,200,000
	1,275,000	0	75,000		1,200,000

## AMAJUBA DISTRICT MUNICIPALITY

## APPENDIX C : ANALYSIS OF FIXED ASSETS

Expenditure 2005 R	Service R	Budget 2006 R	Balance at 30/06/2005 R	Expenditure 2006 R	Written off transferred R	Balance at 30/06/2006 R
3,897,926	Resource Support Services	0	15,513,641	10,062,951	133,332	26,443,259
<u>3,897,926</u>	<b>TOTAL FIXED ASSETS</b>	<u>0</u>	<u>15,513,641</u>	<u>10,062,951</u>	<u>133,332</u>	<u>26,443,259</u>
				10,062,951		
4,172,788	<b>LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>		14,122,531	10,301,166	150,821	24,272,875
274,862	Loans redeemed		934,840	276,598		1,211,438
3,654,799	Contributions from operating income		11,527,144	7,831,530	150,821	19,207,853
243,127	Grants and Subsidies		1,660,547	2,193,037		3,863,584
<u>(274,862)</u>	<b>NET FIXED ASSETS</b>		<u>1,391,110</u>	<u>(238,215)</u>	<u>(17,489)</u>	<u>1,170,384</u>

APPENDIX D ANALYSIS OF OPERATING INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 30 JUNE 2006

Actual 2005 R		Actual 2006 R	Budget 2006 R
<b>INCOME</b>			
24,528,360	Government and Provincial grants and subsidies	19,674,785	40,120,378
24,216,939	Levy income	24,472,542	24,968,978
4,571,560	Other	2,734,454	316,000
<u>53,316,860</u>		<u>46,881,781</u>	<u>65,405,356</u>
<b>EXPENDITURE</b>			
13,767,847	Salaries, wages and allowances	13,729,955	16,234,539
12,539,943	General expenses	15,039,918	18,350,300
547,204	Repairs and maintenance	401,624	584,630
452,805	Capital charges	426,370	494,521
3,654,799	Contributions to fixed assets	9,825,703	915,740
1,805,943	Contributions	1,491,951	1,538,132
17,925,062	Capital Projects	9,282,002	27,134,278
<u>50,693,603</u>	Gross expenditure	<u>50,197,523</u>	<u>65,252,140</u>
<u>50,693,603</u>	Net expenditure	<u>50,197,523</u>	<u>65,252,140</u>



## AMAJUBA DISTRICT MUNICIPALITY

## APPENDIX E : DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2006 Actual income R	2006 Actual expenditure R	2006 Surplus/ (deficit) R		2006 Actual income R	2006 Actual expenditure R	2006 Surplus/ (deficit) R	2006 Budget surplus/(deficit) R
53,316,860	50,893,803	2,423,056	<b>Resource Support Services</b>	46,881,781	50,197,523	(3,315,742)	153,218
0	8,859,591	(8,859,591)	Council	0	10,650,364	(10,650,364)	(11,851,784)
6,067,211	2,801,823	3,265,388	Municipal manager	0	2,204,963	(2,204,963)	(3,032,960)
109,185	6,860,287	(6,751,099)	Corporate Services	0	10,687,589	(10,687,589)	(5,813,883)
0	1,585,063	(1,585,063)	Community Services	0	1,916,534	(1,916,534)	(2,048,550)
27,322,581	8,725,820	20,596,761	Financial services	0	7,089,719	(7,089,719)	(8,677,837)
582,920	2,695,649	(2,112,729)	Technical Services	0	3,214,710	(3,214,710)	(3,238,156)
23,810	2,543,805	(2,524,795)	Planning & Development	0	2,426,530	(2,426,530)	(2,861,512)
750,000	681,604	68,396	P I M S Centre	0	730,938	(730,938)	(803,100)
16,461,149	17,925,062	536,087	Capital projects	7,501,214	11,276,175	(3,774,961)	0
			Levy income	39,380,567	0	39,380,567	38,271,078
0	0	0	<b>Economic Services: Sanitation</b>	0	0	0	0
0	0	0	<b>Trading Services: Bulk Water</b>	0	0	0	0
0	0	0	<b>Trading Services: Water Retention</b>	0	0	0	0
<u>53,316,860</u>	<u>50,893,803</u>	<u>2,423,056</u>	<b>TOTAL</b>	<u>46,881,781</u>	<u>50,197,523</u>	<u>(3,315,742)</u>	<u>153,218</u>
		<u>(2,710,822)</u>	Appropriations for this year (refer to note 16)			<u>(2,850,227)</u>	
		(87,568)	Net deficit for the year			(6,266,958)	
		19,735,683	Accumulated surplus / (deficit) beginning of the year			19,948,017	
		<u>19,948,017</u>	Accumulated surplus / (deficit) end of year			<u>13,382,049</u>	

APPENDIX F : STATISTICAL INFORMATION

	<u>2006</u>	<u>2005</u>
a General Statistics		
i Levy tariffs		
Regional Establishment Levy (% of Turnover excluding vat)	0.12	0.12
Regional Services Levy (% of Salaries, wages & drawings)	0.30	0.30
ii Number of Registered Levy Payers	3,092	3,052
iii Number of councillors of the Municipality	25	25
iv Number of employees of the Municipality	54	50